



**DIVISION OF ELEMENTARY  
& SECONDARY EDUCATION**

# **Arkansas School Finance Manual**

**2020-2021**

**Fiscal and Administrative Services Division**

## **Purpose of the Manual**

The purpose of this manual is to provide guidance and resources for school districts to become better informed and enable fiscally responsible practices. As laws, rules and procedures change, the information contained in this manual may not reflect current regulations. This manual is not fully comprehensive of the rules, regulations and funding sources available for districts. As a result, this manual should only be used as a reference.

## **Division Mission**

Fiscal and Administrative Services (FAS) provides leadership, service, and professional support to the Division of Elementary and Secondary Education (DESE), public school districts, charter schools, education service cooperatives, local, state and federal agencies, and the public. FAS promotes uniform coding, fiscally sound, efficient, and effective financial systems for public education.

## **Message from the Assistant Commissioner**

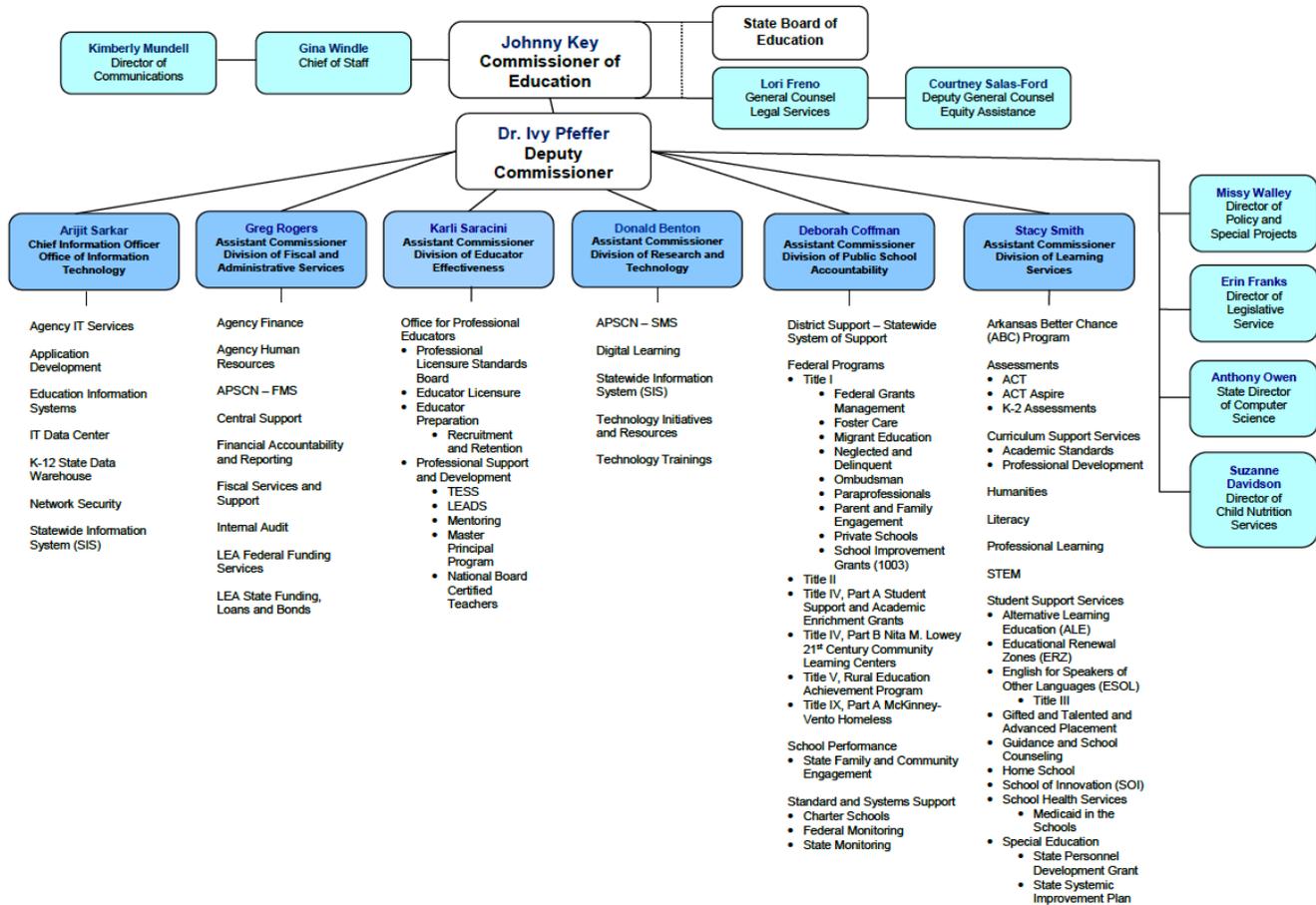
Fiscal and Administrative Services in the Division of Elementary and Secondary Education is dedicated to supporting schools. It is through this support that education opportunities are provided for the students in the state.

I hope that you find this manual helpful and beneficial. We are available to assist with any concerns and look forward to helping you. If we can be of any support, please do not hesitate to contact us.

Sincerely,

Greg Rogers

Assistant Commissioner  
Fiscal and Administrative Services  
Division of Elementary and Secondary Education



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## Assessment and Local Taxes

The Real, Personal and Utility taxes comprise three main categories. Real, Personal and Utility Assessments are added together to create the Total Assessment for a school district.

$$\text{Real} + \text{Personal} + \text{Utility} = \text{Total Assessment}$$

Through Article 14 of the Arkansas Constitution, a school district is required to have a minimum of 25 mills, known as the Uniform Rate of Tax (URT), dedicated to maintenance and operation. The local district has the option to increase its millage rate by having voters within the district vote on additional mills. To estimate the amount of taxes a district could receive, the amount of Total Assessment is multiplied by the millage rate.

For example:

School District X has the following assessment information: Total

Millage                      40 mills

<b>Real Assessment</b>	<b>\$50,000,000</b>
<b>Personal Assessment</b>	<b>\$20,000,000</b>
<b>Utility Assessment</b>	<b>\$75,000,000</b>

Total Assessment equals \$145,000,000.

To estimate the amount of taxes a district could receive, multiply the Total Assessment by .001 and then by the total mills.

$$\$145,000,000 \times .001 \times 40 = \$5,800,000$$

The actual assessment and collection rate is unique to each individual school district. For good financial forecasting, it is recommended to look at **historical data** (past assessments, past collection rates, etc....), **current trends** (new building, abandoned homes, new or moving industry and businesses, etc....), and **other pertinent information** to make more informed financial decisions.

Local taxes are collected through the following sources:

- Property taxes-current (Received July-December) 2001-11110
- Property relief sales tax 2001-11115
- Property tax-by 6/30 (Received January-June) 2001-11120
- Prop relief tax -6/30 2001-11125
- Property tax-delinquent 2001-11140
- Excess commission 2001-11160
- Land redemption- in state sales 2001-11160
- Penalties/interest on tax 2001-11400

The amount of local funds including miscellaneous funds collected is divided by the number of students to derive at the amount of local money collected per student.

## Funding Matrix

As described by the Arkansas Bureau of Legislative Research (BLR) in its March 2020 Bureau Brief entitled, "Foundation Funding and the Matrix", available at this link:

[https://www.arkleg.state.ar.us/Bureau/Document?type=pdf&source=education/K12/AdequacyReports/2020/2020-03-09&filename=HANDOUT-E3\\_Highlights\\_Foundation-Funding](https://www.arkleg.state.ar.us/Bureau/Document?type=pdf&source=education/K12/AdequacyReports/2020/2020-03-09&filename=HANDOUT-E3_Highlights_Foundation-Funding)

"Arkansas uses a specific formula to arrive at the per-student funding amount. This formula is known as the matrix. The matrix calculates the per-student funding rate based on the cost of personnel and other resources for operating a prototypical school of 500 students. Each year legislators involved in the adequacy study determine the dollar amount needed to fund each line item of the matrix based on the money needed to adequately fund school districts' educational needs. Unlike the foundation funding amount (\$7,018 for 2020-21), the matrix is not established in statute. Instead it is used as a tool to set the foundation funding rate. The matrix is divided into three parts:

1. School-level salaries of teachers and other pupil support staff, a principal and a secretary. The matrix also determines how many of which type of teachers and other personnel are needed.
2. School-level resources including instructional materials and technology-related expenses.
3. District-level resources, which include funding for operations & maintenance, districts' central offices and transportation expenses." <sup>1</sup>

Following this page, a total history of the matrix from FY05 through FY21 is provided as well as the current matrix publication from FY19 through FY21.

	FY05	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21
<b>Maths Calculations</b>																	
School Size	500	500	500	500	500	500	500	500	500	500	500	500	500	500	500	500	500
K = 8% of students	40	40	40	40	40	40	40	40	40	40	40	40	40	40	40	40	40
Grades 1-3 = 23% of students	115	115	115	115	115	115	115	115	115	115	115	115	115	115	115	115	115
Grades 4-12 = 69% of	345	345	345	345	345	345	345	345	345	345	345	345	345	345	345	345	345
<b>Shannon Ratios</b>																	
K:P:T ratio = 20:1	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Grades 1-3:P:T ratio = 23:1	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
Grades 4-12:P:T ratio = 25:1	13.8	13.8	13.8	13.8	13.8	13.8	13.8	13.8	13.8	13.8	13.8	13.8	13.8	13.8	13.8	13.8	13.8
P:W = 20% of classroom	4.2	4.2	4.2	4.14	4.14	4.14	4.14	4.14	4.14	4.14	4.14	4.14	4.14	4.14	4.14	4.14	4.14
Total Classroom Teachers	25.0	25.0	25.0	24.94	24.94	24.94	24.94	24.94	24.94	24.94	24.94	24.94	24.94	24.94	24.94	24.94	24.94
Special Ed Teachers	2.9	2.9	2.9	2.9	2.9	2.9	2.9	2.9	2.9	2.9	2.9	2.9	2.9	2.9	2.9	2.9	2.9
Instructional Facilitators	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5
Literacy / Media Specialist	0.7	0.7	0.7	0.825	0.825	0.825	0.825	0.825	0.825	0.825	0.825	0.85	0.85	0.85	0.85	0.85	0.85
Guidance Counselor & Nurse	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5
Total Pupil Support	8.6	8.6	8.6	8.725	8.725	8.725	8.725	8.725	8.725	8.725	8.725	8.75	8.75	8.75	8.75	8.75	8.75
SUBTOTAL	33.6	33.6	33.6	33.665	33.665	33.665	33.665	33.665	33.665	33.665	33.665	33.69	33.69	33.69	33.69	33.69	33.69
Principal	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Secretary	0	0	0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Total School-Level	34.6	34.6	34.6	35.665	35.665	35.665	35.665	35.665	35.665	35.665	35.665	35.69	35.69	35.69	35.69	35.69	35.69
<b>School-Level Salaries</b>																	
Teacher Salary + Benefits	48,750	50,561	52,371	54,888	56,954	57,073	58,214	59,378	59,566	61,839	63,130	63,653	64,196	64,938	65,611	67,127	68,470
Per Student Math	3,271.0	3,399.0	3,516	3,695.6	3,767.4	3,842.7	3,919.6	3,998.0	4,077.9	4,163.6	4,250.7	4,289.6	4,325.6	4,379.6	4,434.4	4,523.0	4,613.5
Principal Salary + Benefits	72,000	73,500	75,335	86,168	87,860	89,617	91,409	93,237	95,102	96,986	99,012	99,012	99,012	99,012	99,012	99,012	99,012
Per Student Math	144.0	147.0	153.0	172.3	175.7	179.2	182.8	186.5	190.2	194.0	198.1	198.1	198.1	198.1	198.1	198.1	198.1
School-level secretary	0	0	0	34,751	35,415	36,123	36,845	37,582	38,334	39,213	40,031	40,031	40,031	40,031	40,555	40,655	40,655
Per Student Math	0	0	0	69.5	70.8	72.3	73.7	75.2	76.7	78.5	80.1	80.1	80.1	80.1	81.7	81.7	81.7
School-Level Salaries Per	3,415	3,551	3,669	3,937.4	4,013.9	4,094.2	4,176.1	4,258.7	4,344.8	4,436.1	4,528.9	4,567.8	4,603.8	4,658.6	4,714.2	4,802.8	4,883.3
<b>School-Level Resources</b>																	
Technology	250	216	185	220	201	205	209.1	213.3	217.6	221.5	225.6	227.8	230.0	230.0	230.0	230.0	230.0
Instructional Materials	250	259	288	160	163.2	166.5	169.8	173.2	176.7	179.9	183.1	183.1	183.1	183.1	184.2	187.9	187.9
Extra Duty Funds	90	94	97	50.0	51.0	52.0	53.0	54.1	55.2	56.2	57.2	61.06	64.9	65.5	66.2	66.2	66.2
Supervisory Aides	36	37	37	49.35	50.35	51.4	52.5	53.6	54.7	55.7	56.7	50.0	50.0	50.0	50.0	50.0	50.0
Substitutes	63	57	59	59.0	59.0	60.2	61.4	62.7	64.0	65.2	66.3	67.7	69.0	70.4	71.8	71.8	71.8
Teacher Continuing Ed Pay/LS	101	93	96														
School-Level Resources Per	789	755	742	\$98.4	\$24.5	\$35.1	\$45.8	\$56.9	\$68.2	\$78.5	\$88.9	\$99.65	\$117.0	\$139.0	\$21.1	\$22.2	\$25.9
<b>Carry-Forward</b>																	
Operations & Maintenance			n/a	581	581	592.6	604.5	616.6	629.0	640.3	651.8	664.9	664.9	674.9	685.0	697.5	705.7
Central Office			n/a	376	383.5	391.2	399.0	407.0	415.1	422.6	430.2	430.2	438.8	438.8	438.8	438.8	438.8
Transportation			n/a	285	285	291.7	297.5	303.8	309.9	315.5	321.2	321.2	321.2	321.2	321.2	321.2	321.2
Carry-Forward Per Student	1,152.0	1,180.0	1,206.0	1,243.0	1,250.5	1,275.5	1,301.0	1,327.4	1,354.0	1,378.4	1,403.2	1,416.3	1,424.9	1,434.9	1,445.0	1,457.5	1,457.7
Foundation Per Pupil	5,356	5,486	5,620	5,719	5,789	5,905	6,023	6,144	6,267	6,393	6,521	6,584	6,646	6,713	6,781	6,883	6,985
Adjustments	44	42	42	0	0	0	0	0	0	0	0	0	0	0	0	16	33
<b>Maths Foundation Per</b>	<b>5,400</b>	<b>5,528</b>	<b>5,662</b>	<b>5,719</b>	<b>5,789</b>	<b>5,905</b>	<b>6,023</b>	<b>6,144</b>	<b>6,267</b>	<b>6,393</b>	<b>6,521</b>	<b>6,584</b>	<b>6,646</b>	<b>6,713</b>	<b>6,781</b>	<b>6,883</b>	<b>7,018</b>
Increase Per ADM	5%	1.28%	1.34%	57	70	116	118	121	123	125	128	63	62	67	69	118	119
		2.37%	2.42%	1.0%	1.2%	2.0%	2.0%	2.01%	2.0%	2.0%	2.0%	0.97%	0.94%	1.01%	1.01%	1.74%	1.72%
Enhanced Funding Per				51.0	87.0	35.0	0	0	0	0	0	0	0	0	0	0	0
Total Foundation Funding	5,400	5,528	5,662	5,770	5,876	5,940	6,023	6,144	6,267	6,393	6,521	6,584	6,646	6,713	6,781	6,883	7,018

	FY19	FY20	FY21
<b>Matrix Calculations</b>			
School Size	500	500	500
K = 8% of students	40	40	40
Grades 1-3 = 23% of students	115	115	115
Grades 4-12 = 69% of students	345	345	345
<b>Staffing Ratios</b>			
K P:T ratio = 20:1	2.0	2.0	2.0
Grades 1-3 P:T ratio = 23:1	5.0	5.0	5.0
Grades 4-12 P:T ratio = 25:1	13.8	13.8	13.8
PAM = 20% of classroom	4.14	4.1	4.1
Subtotal Classroom Teachers	24.94	24.9	24.9
Special Ed Teachers	2.9	2.9	2.9
Instructional Facilitators	2.5	2.5	2.5
Librarian / Media Specialist	0.85	0.85	0.85
Guidance Counselor & Nurse	2.5	2.5	2.5
Subtotal Pupil Support Personnel	8.75	8.75	8.75
SUBTOTAL	33.69	33.69	33.69
Principal	1.0	1.0	1.0
Secretary	1.0	1.0	1.0
Total School-Level Personnel	35.69	35.69	35.69
<b>School-Level Salaries</b>			
Teacher Salary + Benefits	65,811	67,127	68,470
Per Student Matrix Expenditure	4,434.4	4,523.0	4,613.5
Principal Salary + Benefits	99,012	99,012	99,012
Per Student Matrix Expenditure	198.1	198.1	198.1
School-Level Secretary	40,855	40,855	40,855
Per Student Matrix Expenditure	81.7	81.7	81.7
School-Level Salaries Per Student	4,714.2	4,802.8	4,893.3
<b>School-Level Resources</b>			
Technology	250.0	250.0	250.0
Instructional Materials	183.1	184.2	187.9
Extra Duty Funds	66.2	66.2	66.2
Supervisory Aides	50.0	50.0	50.0
Substitutes	71.8	71.8	71.8
School-Level Resources Per Student	621.1	622.2	625.9
<b>Carry-Forward</b>			
Operations & Maintenance	685.0	697.5	705.7
Central Office	438.8	438.8	438.8
Transportation	321.2	321.2	321.2
Carry-Forward Per Student	1,445.0	1,457.5	1,465.7
Foundation Per Pupil Expenditures	6,781	6,883	6,985
Adjustments/Retirement	0	16	33
<b>Matrix Foundation Per Student</b>	<b>6,781</b>	<b>6,899</b>	<b>7,018</b>
Increase per ADM	\$ 68	118	119
	% 1.01%	1.74%	1.72%
Enhanced Funding Per Student	0.0	0.0	0.0
Matrix Foundation + Enhanced Per Student	6,781	6,899	7,018
<b>Categorical Program Funding</b>	<b>FY19 Cost</b>	<b>FY20 Cost</b>	<b>FY21 Cost</b>
ELL	338	345	352
ALE	4,640	4,700	4,700
ESA 0% - <70%	526	526	526
70% - <90%	1,051	1,051	1,051
90% +	1,576	1,576	1,576
PD	32.4	32.4	40.8
FY19, FY20, and FY21 ESA Funding: Additional funds set-aside each year for the matching grant program.			
FY19, FY20, and FY21 PD Funding: Additional funds available through DESE to be used for PLCs.			

### Special Needs (Categorical) Funding

Special Needs or Categorical Funding is pursuant in A.C.A. § 6-20-2301 et seq. and “*Rules Governing the Distribution of Student Special Needs Funding and the Determination of Allowable Expenditures of Those Funds- May 2016*”. Alternative Learning Environment (ALE), English Language Learners (ELL), Enhanced Student Achievement State Categorical (ESA) and Professional Development (PD) are considered State Categorical Funds. The expenditure of funds from each of these categories is restricted. Allowable expenditures for each category are specified in law and/or rules. A school district may transfer funds received from any categorical fund source to another categorical fund source. Per-student state categorical funding is provided in addition to per-student foundation funding. There is a limit to the amount of categorical funds a district can carry over in a fiscal year. Districts that carry over balances larger than allowed may be required to surrender those unspent excess funds. Districts must expend a minimum of 85% of the current ESA of the current year ESA funding. The total aggregate balance of categorical funds at year-end shall not exceed 20%.

### Alternative Learning Environment (ALE)

An ALE program must comply with law including A.C.A § 6-48-101 et seq. and with DESE rules. It is important to note that for ALE funding eligibility, a student must be enrolled in an eligible ALE program for a minimum of 20 consecutive days per school year. In fiscal year 2020-2021, ALE funding is \$4,700 multiplied by the district's eligible ALE students' full-time equivalents (FTE) in the previous year as defined in 4.06 of the DESE "Rules Governing the Distribution of Student Special Needs Funding and the Determination of Allowable Expenditures of Those Funds – May 2016". For example:

<b>Student</b>	<b>Number of Days Enrolled in ALE in Prior Year</b>	<b>Twenty Consecutive Days?</b>	<b>Course Minutes</b>	<b>Number of Minutes Per Day</b>
A	49	No	110	360
B	89	Yes	216	360
C	178	Yes	360	360
D	12	No	360	360

Students "A" and "D", enrolled fewer than 20 consecutive days in the prior school year, are ineligible for ALE funding. The full-time equivalent (FTE) per student is calculated by dividing the number of days each student was enrolled in the ALE by the total number of days in the school year (typically 178) and multiplying the result by the number of enrolled course minutes divided by the number of minutes in a day.

$$\text{Student "B" FTE} = (89/178) \times (216/360) = .30 \text{ Student}$$

$$\text{"C" FTE} = (178/178) \times (360/360) = 1.0$$

To calculate ALE funding, multiply the total FTE (1.3) by the per-student ALE funding amount (\$4,700).

$$1.3 \times \$4,700 = \$6,110$$

### English Language Learners (ELL)

From DESE “Rules Governing Student Special Needs Funding – Effective 2019”:

“3.8 English Language Learners (ELL) are students identified as not proficient in the English language based upon approved English proficiency assessment instruments, which measure proficiency in and comprehension of English in reading, writing, speaking, and listening.

5.02 The ELL funding amount shall be the amount authorized by law multiplied by the district’s identified ELL students in the current school year.

5.02.1 The number of identified ELL students shall be a total of all students identified as not proficient in the English language based upon the statewide Entrance and Exit Procedures criteria, including an approved English proficiency assessment instrument.

5.02.3 An ELL student shall be counted as no more than one (1) student for ELL funding purposes.”<sup>3</sup>

In fiscal year 2020-2021, ELL funding is \$352 multiplied by the number of identified ELL students. DESE utilizes certified data submitted in Cycle 2 to determine the total ELL count for every district. If the DESE finds errors on the COGNOS Language Minority Student Error Report, staff work with the district to get the data corrected and will utilize corrected data

District “A” reported 247 ELL identified students in cycle 2 enrolled as of October 1 of the current fiscal year with the count verified as accurate.

$247 \times \$352 = \$86,944.$

### Enhanced Student Achievement State Categorical (ESA)

For fiscal year 2020-2021 and subsequent years, ESA state categorical funding for each identified free and reduced (F&R) student is as follows:

- For a school district in which 90% or more of the previous school year's enrolled students (from Cycle 2 as of October 1) are F&R students, the amount of per-student enhanced student achievement state categorical funding is \$1,576
- For a school district in which at least 70% but less than 90% of the previous school year's enrolled students (from Cycle 2 as of October 1) are F&R students, the amount of per-student enhanced student achievement state categorical funding is \$1,051
- For a school district in which less than 70% of the previous school year's enrolled students (from Cycle 2 as of October 1) are F&R students, the amount of per-student enhanced student achievement state categorical funding is \$526
- If a school district would receive, in the current school year, ESA state categorical funding that is based on a different per student amount of ESA state categorical funding than the school district received in the immediately preceding school year, due to a percentage change in F&R students, the DESE shall adjust the funding amount per-student to the school district in a transitional 3 year period.

From 6.01 of the DESE "Rules Governing the Distribution of Student Special Needs Funding and the Determination of Allowable Expenditures of Those Funds – May 2016":

- "For determination of the per-student amount of enhanced student achievement state categorical funding, the percentage shall be calculated to one tenth of one percent (0.10%), and rounded up to the nearest whole number from five-tenths of one percent (0.5%).
- If the school district is a Provision 2 district, this funding is based on the school district's percentage of F&R students submitted in the base year, multiplied by the number of enrolled students for the immediately preceding school year.
- If the school district is a Community Eligibility Provision (CEP) district, this funding is based on the school district's percentage of F&R submitted in

the year prior to implementing CEP, multiplied by the number of enrolled students for the immediately preceding school year.”<sup>3</sup>

For example, for a school district with October 1, 2020 enrollment of 2,576 students and 1,753 free and reduced-price lunch students, the ESA free and reduced price lunch percentage and ESA funding amount would be calculated as follows:

$$1753/2576 = 68\%$$

$$**1,753 X \$526 = \$922,078**$$

If a district has grown at least 1% in enrollment (using Cycle 2 enrollment date) for each of the 3 previous years, it shall qualify for the Enhanced Student Achievement State Categorical Growth Funding. The funding shall be calculated as the 3-year average growth in enrollment multiplied by the district’s previous year’s percentage of F&R students multiplied by the applicable per-student funding amount.

### Professional Development (PD)

Per DESE *“Rules Governing the Distribution of Student Special Needs Funding and the Distribution of Allowable Expenditures of Those Funds – May 2016”*:

*“7.01 The Professional Development funding amount shall be an amount up to the amount authorized by law multiplied by the district’s ADM of the previous school year.”<sup>3</sup>*

In fiscal year 2020-2021, the professional development funding per-student is an amount up to \$40.80 multiplied by the school district’s prior-year three-quarter average daily membership. A portion of the \$40.80 is used to fund statewide professional development programs each year. The funding amount per-student provided directly to a school district is calculated each year after removing the portion corresponding to statewide programs. For fiscal year 2019-2020, the amount of per-student professional development funding excluding statewide programs is \$27.40. This amount will be provided on the preliminary state aid notice and funding notification each year.

To calculate PD funding, multiply prior-year three-quarter average daily membership by the per-student PD funding amount. For example, for a school district with fiscal year 2018-2019 three-quarter average daily membership of 629.17 and a per-student PD funding rate for fiscal year 2019-2020 of \$27.40, the PD funding would be calculated as follows:

$$629.17 \times \$27.40 = \$17,239$$

## Student Growth Funding

To help ease the potential financial burden resulting from rapid increase in students, a school district with growth in quarterly average daily membership compared to prior-year three quarter average daily membership may be eligible for student growth funding. Act 741 of 2017 changed the student growth funding calculation, necessitating a revision to current DESE rules entitled “*Rules Governing Declining Enrollment and Student Growth Funding for Public School Districts Effective January 1, 2019*”.

For example, to calculate student growth funding for fiscal year 2020-2021:

FY19 3-quarter ADM	528.16	FY20 quarter 4 ADM	541.11	Growth in quarter 4	12.95
FY20 3-quarter ADM	540.19	FY21 quarter 1 ADM	552.33	Growth in quarter 1	12.14
FY20 3-quarter ADM	540.19	FY21 quarter 2 ADM	549.08	Growth in quarter 2	8.89
FY20 3-quarter ADM	540.19	FY21 quarter 3 ADM	539.02	Growth in quarter 3	No growth

$$(12.95 \times \$1,754.50) + (12.14 \times \$1,754.50) + (8.89 \times \$1,754.50) + (0 \times \$1,754.50) = \$59,618$$

Pursuant to A.C.A. § 10-3-2101, the State of Arkansas is required to know how school districts expend state revenue, including student growth funding. To preserve the ability to track how each district expends student growth funding for adequacy studies, the source of fund code applicable to student growth funding is restricted and transfers from the fund are not allowed. However, student growth funding is unrestricted funding. School districts may expend student growth funding on any eligible school purpose while maintaining the student growth revenue code. No district can receive both declining enrollment and student growth funding. And no district can receive both declining enrollment and special needs isolated funding. Therefore, a district will receive the larger amount of the following two:

- Declining enrollment funding
- The sum of Student Growth Funding and Special Needs Isolated Funding

Pursuant to A.C.A. § 6-20-2305(c)(2)(C), "If net revenues minus any recoupment under subdivision (a)(4)(B) of this section plus miscellaneous funds calculated under § 6-20- 2308(b)(1)(A) exceed the foundation funding amount, a school district shall be eligible to receive the amount of calculated student growth funding that exceeds net revenues minus any recoupment under subdivision (a)(4)(B) of this section plus miscellaneous funds calculated under § 6-20-2308(b)(1)(A)."<sup>4</sup>

## **Declining Enrollment Funding**

Pursuant to A.C.A. § 6-20-2303(5),

“Declining enrollment funding” means the amount of state financial aid provided to an eligible school district from funds made available for the decline in the average daily membership of the school district in the preceding school year compared to the school year before the preceding school year.”<sup>4</sup>

Declining enrollment funding is equal to the three-quarter ADM of the prior year, subtracted from the average of the three-quarter ADMs of the prior fiscal year and the fiscal year prior to the prior fiscal year, multiplied by the current per-student foundation funding amount.

For example, to calculate declining enrollment funding for fiscal year 2020-2021:

<b>FY19 3-quarter ADM</b>	<b>FY20 3-quarter ADM</b>
870.28	851.34

$$(870.28+851.34)/2 - 851.34 = 9.47$$

**9.47 X FY21 per-student foundation funding**

**9.47 X \$7,018 = \$66,460 declining enrollment funding**

Pursuant to A.C.A. § 10-3-2101, the State of Arkansas is required to know how school districts expend state revenue, including declining enrollment funding. To preserve the ability to track how each district expends declining enrollment for adequacy studies, the source of fund code applicable to declining enrollment funding is restricted and transfers from the fund are not allowed. However, the declining enrollment funding is unrestricted funding. School districts may expend declining enrollment funding on any eligible school purpose while maintaining the declining enrollment revenue code.

## **Isolated Funding**

Isolated Funding is addressed in A.C.A. § 6-20-601 *et seq.*

In addition to the flowcharts on the following pages, A.C.A. § 6-20-604 (h) states:

***(2) (A)** Undistributed funds under this section and §§ 6-20-601 and 6-20-603 shall be distributed on an equal basis per school district to each school district that is eligible to receive funds under subsection (c), subsection (d), or subsection (e) of this section.*

***(B)** Funds distributed under subdivision (h)(2)(A) of this section shall be used by the school district only for transportation costs of the isolated school areas in the school district.”*

Isolated Funding  
6-20-601

Does the district meet 4 of the following 5 criteria? 6-20-601  
Definition of an "Isolated School District"

- Distance of 12 miles or more by hard-surfaced highway from the high school of the district to the nearest adjacent high school in an adjoining district
- Density ratio of transported students is less than 3 students per square mile
- Total area of the district is 95 square miles or greater
- Less than 50% of bus routes is on hard-surfaced roads
- There are geographic barriers such as lakes, rivers, and mountain ranges that would impede travel....

Yes

- School District's budget is prepared with Department of Education approval?
- Does the school district have a prior-year three quarter average daily membership of less than 350?
- Does the district and each school meet the minimum standards for accreditation prescribed by law and regulation?

Yes to ALL

Is the district receiving funding under 6-20-603?

No

If no, then no funding is available.

Yes. District must choose funding under 6-20-601 or 6-20-603.

**Funding Category I**

- $(350 \text{ minus prior year three quarter ADM})/850$
- Multiplied by prior year three quarter ADM
- Multiplied by per-student foundation funding amount

**Category II**

- (In addition to Category I and must have a prior year three quarter ADM density ratio of less than 1.2. Is calculated at 50% of Category I)

If the District receives revenue in excess of the per-student foundation amount, then funding is based upon:

- (Sum of Category I and Category II) minus per-student foundation funding amount.
- Minus per-student revenue and then multiplied by prior year three-quarter ADM.

Isolated Funding  
6-20-603

Is the isolated school area listed in 6-20-603?

Yes

If no, then no funding is available.

Is the prior year three quarter ADM greater than 350?

Yes

No

Is the isolated school area in a consolidation or annexation under 6-13- 1401 et seq. or 6-13-1601 et seq?

Yes

If no, then no funding is available.

Funding

## Per-Student Isolated Funding per A.C.A. § 6-20-603

County	School District	Per Student Isolated Funding Amount
Column A	Column B	Column C
Van Buren	Alroad	2,219
Dasha	Arkansas City	2,040
Randolph	Biggers-Reyno	763
Miller	Bright Star	916
Marion	Bruno-Pyatt	329
Dallas	Carthage	1,938
Independence	Cord-Charlotte	236
Woodruff	Cotton Plant	733
Crittendon	Crawfordsville	642
Newton	Deer	853
Greene	Delaplaine	215
Dasha	Delta Special	952
Nevada	Emmet	307
Sharp	Evening Shade	115
Ashley	Fountain Hill	339
Yell	Fourche Valley	1,603
Arkansas	Gillett	1,000
Lincoln	Gould	766
Lincoln	Grady	560
Polk	Hatfield	42
Monroe	Holly Grove	868
Arkansas	Humphrey	328
Union	Huttig	668
Cleveland	Kingsland	394
Madison	Kingston	661
Phillips	Lake View	1,064
Searcy	Lesha	628
Lawrence	Lynn	782
Columbia	McNair	329
Union	Mount Holly	898
Newton	Mount Judon	622
Izard	Mount Pleasant	226
Johnson	Oark	1,576
Montgomery	Oden	671
Saline	Paron	733
Yell	Plainsview-Rover	297
Franklin	Pleasant View	679
Randolph	Randolph County	444
Lawrence	River Valley	106
Stone	Rural Special	788
Searcy	Saint Joe	727
Madison	Saint Paul	123
Hampstead	Saratoga	1,407
Van Buren	Scotland	1,841
Dallas	Sparkman	487
Ouachita	Stephens	1
Stone	Stone County	367
Jackson	Swifton	458
Columbia	Taylor	353
Howard	Umpire	2,152
Union	Union	45
Columbia	Walker	819
Newton	Western Grove	375
Cleburne	Wilburn	978
Sharp	Willford	476
Washington	Winslow	494

# Special Needs Isolated Funding

6-20-604

Was the school district consolidated or annexed or received an annexed school under the Public Education Reorganization Act, § 6-13-1601 et seq.?

Yes

If no, no funding is available.

Did the local school district board of directors by majority vote determine that the isolated school is so isolated that to combine its operation to one (1) school district campus would be impractical or unwise?

Yes

Does the isolated school or district:

(A) Meets the requirements of § 6-20-601 and filed an affidavit of isolated school status with the State Board of Education during the consolidation or annexation process, and the facts of the affidavit are verified by the state board or its designee;

(B) Meets the requirements of § 6-20-601 and filed an affidavit of isolated school status with the state board after the consolidation or annexation process or with regard to the 2006-2007 school year no later than June 1, 2006, and the facts of the affidavit are verified by the state board or its designee; **OR**

(C) Meets the requirements of § 6-20-601 but for the prior-year three-quarter average daily membership requirement of three hundred fifty (350) students or fewer and filed an affidavit of isolated school status with the state board after the consolidation or annexation process or with regard to the 2006-2007 school year no later than June 1, 2006, and the facts of the affidavit are verified by the state board or its designee?

If no, no funding is available.

Yes

Does the school district have:

- (1) School facilities serving students in any grade in kindergarten through grade twelve (K-12), in one (1) or more isolated schools meeting the requirements of subsection (b) of this section;
- (2) A prior-year three-quarter average daily membership for the school district of five hundred (500) or less; and
- (3) A density ratio of one a five-tenths (1.5) students or less per square mile?

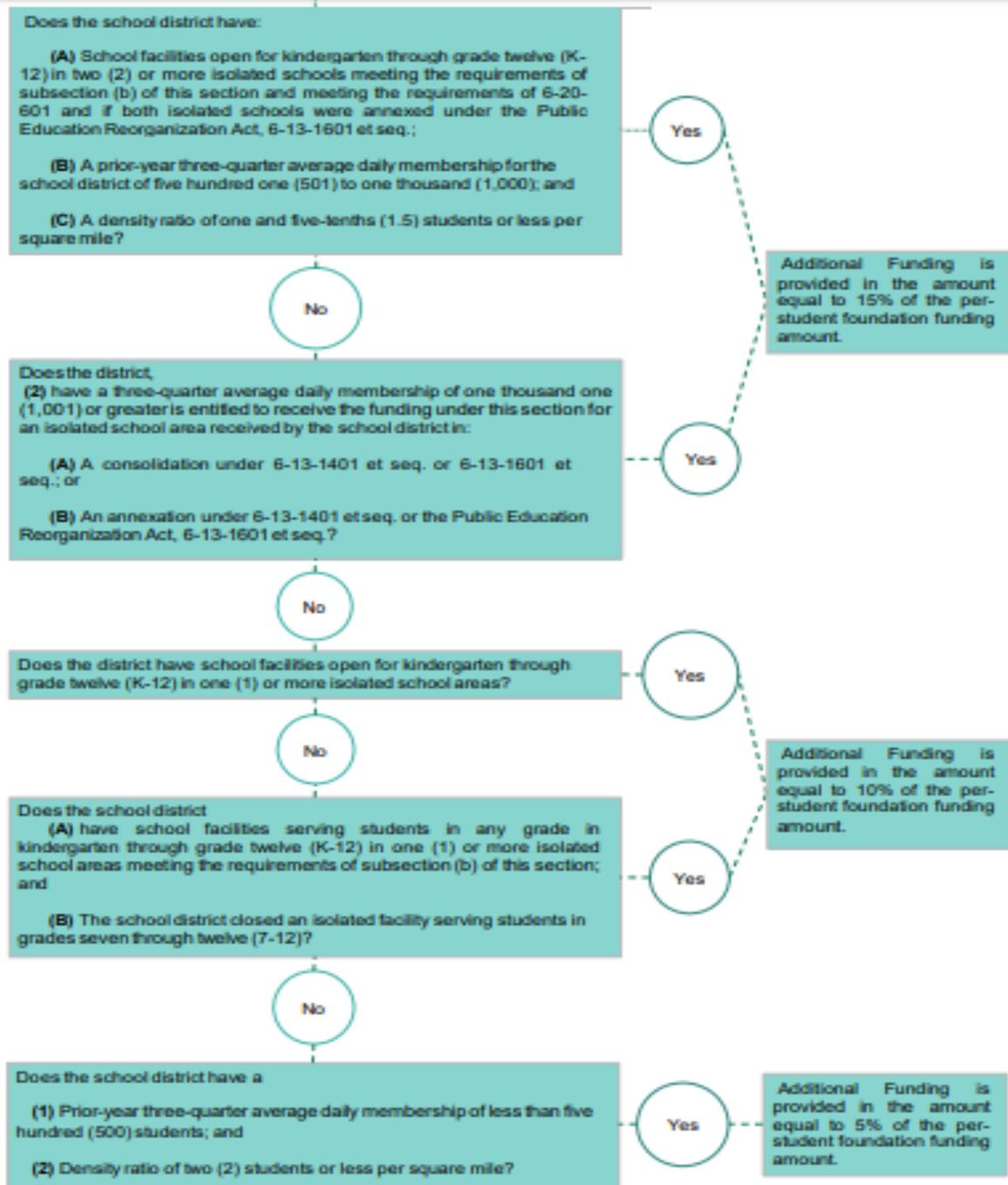
Yes

Additional Funding is provided in the amount equal to 20% of the per-student foundation funding

No

Continued on next page

# Special Needs Isolated Funding A.C.A. 6-20-604 Cont.



## Bonded Debt Assistance

Bonded debt assistance is restricted funding to be used solely for the payment of bonded debt. Pursuant to A.C.A. § 6-20-2503, the calculation of bonded debt assistance is based on a school district's principal and interest payment schedule in effect and on file with the Division of Elementary and Secondary Education (DESE) on January 1, 2005. This list is available on the DESE website at the following link:

[http://www.arkansased.gov/public/userfiles/fiscal\\_and\\_admin\\_services/publication%20and%20reports/indebtedness/debt\\_serv\\_funding\\_suppl\\_june05.pdf](http://www.arkansased.gov/public/userfiles/fiscal_and_admin_services/publication%20and%20reports/indebtedness/debt_serv_funding_suppl_june05.pdf)

A.C.A. § 6-20-2503 attributed 90% of each school district's outstanding bonded debt to the financing of academic facilities. However, the law provided for a school district to submit documentation if more than 90% of its outstanding bonded debt was issued in support of academic facilities. This established percentage of 90% or more is applied to each district's fiscal year principal and interest bonded debt payment from the January 1, 2005, debt schedule. The resulting "adjusted 1/1/05 scheduled debt payment" is divided by the total assessed value of the district multiplied by 1,000 to calculate the required debt service mills. This product is multiplied by the state wealth index (defined in A.C.A. § 6-20-2503(a)(6) - note this is different than the facilities wealth index (defined in A.C.A. § 6-20-2502) multiplied by the prior year three-quarter average daily membership and multiplied by a funding factor of \$18.03.

Under A.C.A. § 6-20-2503, these funds must be paid on or before August 1 and February 1 each year. Typically, a disbursement of 50% is made in July with the remaining balance disbursed in January. For more information, see the *Commission for Arkansas Public School Academic Facilities and Transportation Rules Governing Bonded Debt Assistance Effective December 31, 2018* at the following link:

[http://arkansasfacilities.arkansas.gov/public/userfiles/documents/rules/Bonded\\_Debt\\_Asst\\_Final\\_Rules\\_12-21-18.pdf](http://arkansasfacilities.arkansas.gov/public/userfiles/documents/rules/Bonded_Debt_Asst_Final_Rules_12-21-18.pdf)

### Miscellaneous Funds

Miscellaneous Funds are defined in A.C.A. § 6-20-2303(12) as funds received by a school district from federal forest reserves, federal grazing rights, federal mineral rights, federal impact aid, federal flood control, wildlife refuge funds, severance taxes, in lieu of taxes and local sales and use taxes dedicated to education under § 26-74-201 et seq., § 26-74-301 et seq., §26-75-301 et seq., and the Local Government Bond Act of 1985, § 14-164-301 et seq.

Miscellaneous funds are used in the calculations of bonded debt assistance (under A.C.A. § 6-20-2503) and state foundation funding aid (under A.C.A. § 6-20-2305 and § 6-20-2308). The DESE “Rules Governing the Calculation of Miscellaneous Funds – November 2014” provides information regarding the use of miscellaneous funds in both of these funding calculations.

In the calculation of bonded debt assistance and in the initial calculation of state foundation funding aid, the DESE calculates the miscellaneous funds of a school district as the aggregate amount of miscellaneous funds received in the calendar year immediately preceding the beginning of the current school fiscal year multiplied by the ratio of the uniform rate of tax to the district’s total millage rate as of January 1 of the calendar year in which the school district received the miscellaneous funds.

In February, the initial calculation of state foundation funding aid is updated to replace the initial miscellaneous funds with miscellaneous funds from the calendar year that includes the beginning of the school fiscal year. If the current calendar year miscellaneous funds received are less than the previous calendar year miscellaneous funds, for those school districts that receive state foundation funding aid the DESE will adjust the state foundation funding aid.

If the current calendar year miscellaneous funds are more than the previous calendar year, the DESE will reduce the state foundation funding aid by the difference in calculated miscellaneous funds.

If the current calendar year miscellaneous funds are less than the previous calendar year, the DESE will increase the state foundation funding aid by the difference in calculated miscellaneous funds.

## State Aid Notices, Charter and District Payment Notifications

- State Aid Notices to provide state funding information to school districts and open-enrollment public charter schools are published periodically throughout the fiscal year on the DESE website at the following link: [Publications and Reports](#)
- Additionally, funding information is provided at the following links under the School Funding menu. Beginning in FY22, these will take the place of State Aid Notices:
  - [Allocations](#)
  - [Funding Notifications](#)
  - [Funding Data](#)
- Monthly disbursements of certain categories of state funding (typically the funding shown on the state aid notices) to open enrollment public charters and school districts are posted to APSCN at the following link:
  - [APSCN payment listing](#)

Federal Title Funds

**(Definitions were taken from Elementary & Secondary Education Act (ESEA)  
as amended by Every Student Succeeds Act (ESSA))**

**TITLE I - IMPROVING THE ACADEMIC ACHIEVEMENT OF THE  
DISADVANTAGED**

The purpose of this title is to provide all children significant opportunity to receive fair, equitable, and high-quality education, and to close educational achievement gaps. (ESSA Section 1001)

**TITLE I, PART D—PREVENTION AND INTERVENTION PROGRAMS FOR  
CHILDREN AND YOUTH WHO ARE NEGLECTED, DELINQUENT, OR AT-RISK**

It is the purpose of this part—

1. to improve educational services for children and youth in local, tribal, and State institutions for neglected or delinquent children and youth so that such children and youth have the opportunity to meet the same challenging State academic standards that all children in the State are expected to meet;
2. to provide such children and youth with the services needed to make a successful transition from institutionalization to further schooling or employment; and
3. to prevent at-risk youth from dropping out of school, and to provide dropouts, and children and youth returning from correctional facilities or institutions for neglected or delinquent children and youth, with a support system to ensure their continued education and the involvement of their families and communities.  
(ESSA Section 1401)

TITLE II, PART A—PREPARING, TRAINING, AND RECRUITING HIGH-QUALITY TEACHERS, PRINCIPALS, OR OTHER SCHOOL LEADERS

The purpose of this title is to provide grants to State educational agencies and sub-grants to local educational agencies to:

1. increase student achievement consistent with the challenging state academic standards;
2. improve the quality and effectiveness of teachers, principals, and other school leaders;
3. increase the number of teachers, principals, and other school leaders who are effective in improving student academic achievement in schools; and provide low- income and minority students greater access to effective teachers, principals, and other school leaders. (ESSA Section 2001)

TITLE III, PART A - LANGUAGE INSTRUCTION FOR ENGLISH LEARNERS AND IMMIGRANT STUDENTS

The purposes of this part are –

1. to help ensure that English learners, including immigrant children and youth, attain English proficiency and develop high levels of academic achievement in English;
2. to assist all English learners, including immigrant children and youth, to achieve at high levels in academic subjects so that all English learners can meet the same challenging State academic standards that all children are expected to meet;
3. to assist teachers (including preschool teachers), principals and other school leaders, State educational agencies, local educational agencies, and schools in establishing, implementing, and sustaining effective language instruction educational programs designed to assist in teaching English learners, including immigrant children and youth;

4. to assist teachers (including preschool teachers), principals and other school leaders, State educational agencies, and local educational agencies to develop and enhance their capacity to provide effective instructional programs designed to prepare English learners, including immigrant children and youth, to enter all-English instructional settings; and
5. to promote the parental, family, and community participation in language instruction educational programs for the parents, families, and communities of English learners.

(ESSA Section 3102)

There are two types of Title III subgrants: Title III EL Formula subgrant (ESSA Section 3114(a)) and the Title III Recent Immigrant subgrant (ESSA Section 3114(d)). The Title III EL Formula subgrant is determined using the number of English Language Learners, while the Title III Recent Immigrant subgrant is determined using the number of Recent Immigrants.

#### TITLE IV, PART A – Student Support and Academic Enrichment (SSAE)

The purpose of this sub-part is to improve students' academic achievement by increasing the capacity of States, local educational agencies, schools, and local communities to:

1. provide all students with access to a well-rounded education;
2. improve school conditions for student learning; and
3. improve the use of technology in order to improve the academic achievement and digital literacy of all students.

(ESSA Section 4101)

Title IV, Part B - Nita M. Lowey 21st Century Community Learning Centers (This is a competitive grant)

The purpose of this part is to provide opportunities for communities to establish or expand activities in community learning centers that—

1. provide opportunities for academic enrichment, including providing tutorial services to help students, particularly students who attend low-performing

schools, to meet the challenging State academic standards;

2. offer students a broad array of additional services, pro-grams, and activities, such as youth development activities, service learning, nutrition and health education, drug and violence prevention programs, counseling programs, arts, music, physical fitness and wellness programs, technology education programs, financial literacy programs, environmental literacy programs, mathematics, science, career and technical pro-grams, internship or apprenticeship programs, and other ties to an in-demand industry sector or occupation for high school students that are designed to reinforce and complement the regular academic program of participating students; and
3. offer families of students served by community learning centers opportunities for active and meaningful engagement in their children's education, including opportunities for literacy and related educational development.

(ESSA Sec. 4201)

## TITLE V—RURAL EDUCATION INITIATIVE

This part may be cited as the “Rural Education Achievement Program”.  
( ESSA Section 5201 )

### Subpart 1—Small, Rural School Achievement Program

(1) IN GENERAL - A local educational agency shall be eligible to use the applicable funding in accordance with subsection (a) if:

(A)(i)(I) the total number of students in average daily attendance at all of the schools served by the local educational agency is fewer than 600; or

(II) each county in which a school served by the local educational agency is located has a total population density of fewer than 10 persons per square mile; and (ii) all of the schools served by the local educational agency are designated with a locale code of 41, 42, or 43, as determined by the Secretary;

(B) the agency meets the criteria established in subparagraph (A)(i) and the Secretary, in accordance with paragraph (2), grants the local educational agency’s request to waive the criteria described in subparagraph (A)(ii); or (C) the local educational agency is a member of an educational service agency that does not receive funds under this subpart and the local educational agency meets the requirements of this part.

(ESSA Section 5211(b))

### Subpart 2—Rural and Low-Income School Program

(1) ELIGIBILITY - A local educational agency shall be eligible to receive a grant under this subpart if:

(A)(i) 20 percent or more of the children ages 5 through 17 years served by the local educational agency are from families with incomes below the poverty line; and

(ii) all of the schools served by the agency are designated with a locale code of 32, 33, 41, 42, or 43, as determined by the Secretary; or

(B) the agency meets the criteria established in clause (i) of subparagraph (A) and the Secretary, in accordance with paragraph (2), grants the local educational agency’s request to waive the criteria described in clause (ii) of such subparagraph.

(ESSA Section 5221(b))

Maintenance of Effort – Federal Funds

**MAINTENANCE OF EFFORT**

(a) IN GENERAL.—A local educational agency may receive funds under a covered program for any fiscal year only if the State educational agency finds that either the combined fiscal effort per student or the aggregate expenditures of the agency and the State with respect to the provision of free public education by the agency for the preceding fiscal year was not less than 90 percent of the combined fiscal effort or aggregate expenditures for the second preceding fiscal year, subject to the requirements of subsection (b).

(b) REDUCTION IN CASE OF FAILURE TO MEET -

(1) IN GENERAL - The State educational agency shall reduce the amount of the allocation of funds under a covered program in any fiscal year in the exact proportion by which a local educational agency fails to meet the requirement of subsection (a) of this section by falling below 90 percent of both the combined fiscal effort per student and aggregate expenditures (using the measure most favorable to the local agency), if such local educational agency has also failed to meet such requirement (as determined using the measure most favorable to the local agency) for 1 or more of the 5 immediately preceding fiscal years.

(2) SPECIAL RULE - No such lesser amount shall be used for computing the effort required under subsection (a) of this section for subsequent years.

(c) WAIVER - The Secretary may waive the requirements of this section if the Secretary determines that a waiver would be equitable due to:

(1) exceptional or uncontrollable circumstances, such as a natural disaster or a change in the organizational structure of the local educational agency; or

(2) a precipitous decline in the financial resources of the local educational agency.

(ESSA Section 8521)

INCLUDE THE WAIVER INFORMATION

DESE Federal Funding Website

<http://www.arkansased.gov/divisions/fiscal-and-administrative-services/lea-federal-funding>

There are several reports available on the DESE Website for funding. The FGM unit calculates funding for the following federal programs: Title I Part A, Title I Part D Subpart 1 and Subpart 2, Title I School Improvement 1003a, Title II-A, Title III, Title V REAP- RLIS

Title VI-B Special Education (School Age), and Federal Preschool Special Education. The unit also verifies obligation and expenditure of those funds according to federal laws and regulations.

Allocations

Carryover (Allotment balances)

Federal Funds Statements

Federal Grants Management Procedures

Grant Award Letters

Indirect Cost

Maintenance of Effort

Title I Comparability

## E-Rate

The E-Rate program is a discount program designed to help schools (and public libraries) pay for technological infrastructure and services. It is funded by the Federal Universal Service Fee, a small fee (19.6% for 2Q2020) added to every wireline phone bill in the U.S., and is administered by the Universal Service Administration Company (USAC) on behalf of the FCC.

In order to qualify for the program, applicants must solicit bids over a 28 day minimum period from service providers that meet their tech needs through an open and competitive bidding process. Then, upon awarding a bid, applicants must file with USAC, during the filing window, to show detailed costs to be incurred. There are a number of pieces of paperwork that accompany every step in the process. Successful school applicants will be eligible for a discount on their actual costs and their poverty level as measured by the NSLP data and whether the school is considered in an urban or rural location.

Payment to schools from USAC can come in two forms:

- 1) **The Billed Entity Applicant Reimbursement, or BEAR method** – A direct reimbursement of costs incurred, typically used for one-time infrastructure projects. In this method, a school district will work into its budget a payment, in full, for a project or service to be provided. After the service has been provided, the invoice paid, and the notice of funding received from USAC, the district will file with USAC for reimbursement of their discounted percentage of the costs. USAC sends these funds directly to the school district. These payments can be received as a lump sum or may be structured into scheduled payments (e.g. quarterly payments).
- 2) **The Service Provider Invoice, or SPI (pronounced like “spy”) method** – A discount of costs incurred from a provider reflected on a school district’s bill, typically used for ongoing services. In this method, USAC, after the application is funded, will send funds for things like monthly telephone or internet service to the provider of those services, who then discounts the appropriate percentage from the school district’s regular bill.

There are several important changes to the E-Rate program:

- A) Eligible voice services are subject to an annual 20 percentage point phase down of E-rate support that began in FY (funding year) 2015, as described in the 2014 E-rate Order. For FY 2018, the effective discount rate will be 80 percentage points less than other Category One services (service to the building). The reduced discount rate for the voice services will apply to all applicants and all costs for the provision of telephone services and circuit capacity dedicated to providing voice services.
- B) The funds previously designated for voice services have been shifted toward broadband. This means schools should pay particular attention to opportunities to expand their broadband infrastructure in the years ahead, as these expenditures are likely to receive discounts through E-Rate.
- C) The annual cap is \$3.9 B (inflation adjusted) and for FY2020 the cap is \$4.0B.
- D) Category 1 services have a 20 – 90% discount level and provide for internet and telecommunications services. Category 2 services have a 20 – 85% discount level and provide for internet connections and Wi-Fi. They are basically a block grant and are subject to a 5-year funding cap per site.

For questions relating to E-Rate, districts should contact Don McDaniel at DIS (Department of Information Systems). His email is [don.mcdaniel@arkansas.gov](mailto:don.mcdaniel@arkansas.gov) or telephone 501-682-5027.

Educational Excellence Trust Fund

The Educational Excellence Trust Fund (EETF), established in 1991, is defined and explained in A.C.A. § 6-5-301 et seq. and in the DESE “*Rules Governing the School District Educational Excellence Trust Fund Effective January 1, 2020*”. The portion of foundation funding that represents the Educational Excellence Trust Fund obligation is provided on the state aid notice and allocations section of the DESE website. Open-enrollment public charters do not have a EETF allocation.

- Under A.C.A. § 6-5-307 any increase in EETF allocation for teacher salaries shall be used by school districts to provide salary increases for current licensed personnel positions and for no other purpose, except that required social security and teacher retirement matching required to be paid by the school districts may be paid from the funds.
- The Trust Fund amount on the final State Aid Notice for the current school year must be expended in the form of salaries, social security, and retirement matching for current licensed personnel positions.
- The DESE has developed a tool to assist school districts in determining whether they are required to give salary increases to meet the EETF requirement.

A. Trust fund for current year as reported on allocations page of DESE website

\_\_\_\_\_

B. Trust fund amount divided by 1.2215 = amount to be distributed to licensed personnel salaries (not as a bonus or nonrecurring payment).\*

\$ \_\_\_\_\_ -

C. Amount (projected or actual) spent on non-federal licensed salaries.\*\*

\_\_\_\_\_

D. Amount exceeding/(shortage) of salary expenditure vs. EETF allotment (Line C minus Line B)

\$ \_\_\_\_\_ -

If line D. is positive, you have met the EETF requirement and you can stop here.  
If line D. is negative, you must increase non-federal licensed salaries.

E. Total number of licensed, non-federal FTEs. \*\*

\_\_\_\_\_

F. Amount of salary increase needed per FTE. (divide line D.-make positive number- by line E.)

\$ \_\_\_\_\_ -

\*22.15% is comprised of 7.65% FICA and 14.5% ATRS employer contribution for FY21

\*\*applies to non-federal licensed staff, including those paid with state categorical funds

Special Education Services-Extended  
School Year

“This program provides extended year summer programs for students with disabilities ages 3-21. State funding for special education is based on how many days/hours and weeks each student participated, and DESE reimburses the school districts on a per-student basis. These funds are dispersed based on availability and during FY 16 the amount was \$74 per day. This state funding source also provides for the partial reimbursement of salaries and benefits for special education supervisors.”<sup>5</sup>

Special Education – High-Cost  
Occurrences

Per ADE’s *“Program Descriptions Manual”*,  
“Provides for state funding to school districts for local occurrences when the costs of special education and related services required by an individual child are unduly expensive, extraordinary, or beyond the routine and normal costs associated with special education. Reimbursement from this program for an individual child can be sought only after eligible costs equal or exceed \$15,000 for the special education child. Medicaid and other third party funding are obtained prior to requesting state high-cost funding.”<sup>5</sup>

EarlyChildhood Special Education

This state funding source helps support the provision of special education and related services for children ages three to five with disabilities.

### Residential Centers/Juvenile Detention

This state funding source is available to provide reimbursement to the resident district (district in which the facility is located) for the educational costs associated with school-age students without disabilities and students with disabilities ages 3-21 in approved residential treatment facilities. Funding is also used to reimburse resident districts for the educational costs associated with school-age students with disabilities placed in juvenile detention centers (JDC). Residential treatment center educational costs are reimbursed to school districts each quarter at \$60 per day, but may be prorated based upon the availability of funds. JDC facilities are funded quarterly based upon the formula set forth in the ADE Special Education and Related Services Procedural Requirements Section 18.00.

### Title VI Part B Special Education Programs for Early Childhood

Federal funding is provided to Early Childhood (EC) programs for special education services for children ages three to five with disabilities. Special education and related services (including accommodations, modifications, and supplementary aides and supports, as determined appropriate by the IEP Team) are provided to eligible students with disabilities in the least restrictive environment. Associated costs include, but are not limited to, special education teacher salaries, paraprofessional salaries, equipment, supplies, transportation, related services, and professional development.

### Title VI PART B Special Education Programs for School-age Students

Federal funding is provided to LEAs for the provision of special education and related services to school-age students with disabilities. Special education and related services (including accommodations, modifications, and supplementary aides and supports, as determined appropriate by the IEP Team) are provided to eligible students with disabilities in the least restrictive environment. Associated costs include, but are not limited to, special education teacher salaries, paraprofessional salaries, equipment, supplies, transportation, related services, professional development, purchased services, etc.

### Maintenance of Effort (Special Education)

The ADE is required by federal regulation to ensure all school Districts in Arkansas comply with § 300.203 of the Individuals with Disabilities Education Act (IDEA), which mandates that school Districts meet a Maintenance of Effort (MOE) obligation.

In order to be eligible to receive a Part B grant award, a District must meet the MOE requirements at 34 CFR § 300.203(b) which require that a District both budget, in each subsequent year, at least the same amount that it expended in the most recent prior year for which information is available, and expend from year to year, at least the same amount that it expended in the previous year.

Determination of whether the District has met the MOE expenditure requirement is made after final actual expenditures have been reported. The District must meet at least one of the four “tests”: 1) Local, 2) Local plus State, 3) Local Per Capita, 4) Local plus State Per Capita for the MOE budget requirement and for the MOE expenditure requirement.

Local plus State is usually the first test districts run. Districts use the following process to determine MOE (2019-20 school year used as an example below). This is available to districts electronically on MySped: School Age AFR Maintenance of Effort Data Form.

- 1) FY 2019-20 Annual Financial Report (AFR) amount
- 2) FY 2018-19 Previous year Annual Financial Report (AFR)
- 3) AFR MOE STATUS

(subtract #2 from #1 to determine MOE status)

If the amount in #3 is a positive number, MOE has been met.

If amount in #3 is a negative number, MOE has not been met. The district can attempt to reduce their current year (19-20 in this example) state and local AFR by meeting one or more of the following four exceptions”

**A1. Departure of Personnel:** 1) If the person who departed was replaced by another person at a lower salary both salaries and benefits must be reported. The difference can be used to reduce MOE; 2) If a person departed and was not replaced, the total salary and benefits can be used to reduce MOE

**A2. Decrease in enrollment of children with disabilities:** (this would be for the current year) If the district has shown a decrease in child count from the previous year, the difference can be calculated to reduce MOE (see example below):

State/Local Special Ed. MOE Expenditures divided by the 12-1-19 child count to determine the per child expenditures. The per-child expenditure is multiplied by the difference in the number of students to determine the amount of reduction allowed.

1. 12-01-18 Child Count	126
2. 12-01-19 Child Count	123
3. Difference	3
4. 2018-19 State/Local Special Ed MOE Expenditures	\$ 548,262.79
5. Per child expenditures (#4 / #1)	\$ 4,351.29
6. Amount of Reduction (#5 X #3)	\$ 13,053.88

**A3. Departure of an exceptionally costly child to the program:** A child with a disability that requires an exceptionally costly program (equipment and/or materials that are used exclusively for this child) has left the district or has reached the age at which the child is no longer in services (graduated and/or reached the age at which the LEA is no longer obligated to provide FAPE to the child).

A4. Termination of costly expenditures for long-term purchases such as the acquisition of equipment or the construction of school facilities:

The MOE must be met by the Cycle 9 (period 13) submission to APSCN.

## Child Nutrition

The Division of Elementary and Secondary Education /Child Nutrition Unit (DESE/CNU) administers the National School Lunch Program, the School Breakfast Program, the Special Milk Program, the Afterschool Snack Program, the Seamless Summer Program and the Fresh Fruits and Vegetables Grants in the public schools and Charter Schools in Arkansas. The United States Department of Agriculture (USDA), Food and Nutrition Service administers these programs at the Federal level.

According to the USDA regulations, the DESE /CNU provides technical assistance, training, monitoring, and processes claims for reimbursement of federal funds used in the operation of local school nutrition programs. The DESE /CNU serves as the pass through agency for approximately \$190 million federal dollars to public school districts for reimbursable meals served to students. USDA requires approximately \$2 million in state funds be paid as state matching to each district either, by payment for the delivery of USDA donated foods or as a per lunch match for the total lunches served by school districts in the previous school year.

Reimbursement rates are established by USDA, released at the beginning of each school year. There are higher funding rates that Districts may receive such as severe need breakfast and safety net lunch. Severe need breakfast rates are additional funds above the regular reimbursement rate available to Districts in which forty percent (40%) or more of the lunches served to students in the school in the second preceding year were served free or at a reduced price. Districts must apply and are approved to receive additional severe need funds for breakfast, during the preceding school year. The severe need breakfast funds are by school not district. Safety net lunch funds are additional funds provided to Districts based on the District having served 60% of the previous year's lunches to free and reduced eligible students. Districts also receive additional performance based funds for all lunches served that meet the required USDA meal pattern and nutrient standards, once the menus have been certified by the State Agency.

Meal Applications may be distributed to all students at the beginning of each school year, after July 1. The household applications returned are used to determine student's correct eligibility. Students who are not included on a household application are not eligible for free or reduced-price meal benefits unless they are on a categorically eligible list. Categorically eligible lists include direct certification, Homeless, Runaway, Migrant, Head Start, Even Start, and Foster. Students on the categorically eligible lists are considered free and the District does not have to get an application from those student's households. A Child Nutrition master roster/point of sale roster is developed with free, reduced and paid student eligibility from all source documents (approved meal applications and categorically eligible lists).

Meals are planned and served to meet the meal pattern and nutrient standards set by USDA regulations. Meals served are claimed in correct eligibility category (free, reduced, and paid) and recorded on a daily record sheet. At the end of each month, the daily record sheet for each site is consolidated and submitted on the monthly claim for reimbursement to DESE/CNU. Internal audit controls are built into the CN On-line Claim System to ensure the correct number of meals are claimed. The internal controls are a three step process, requiring three different people, to enter, submit the supporting documentation before the claim is approved by the District. DESE/CNU reviews and processes the claim and requests payment be issued to the district.

### Better Chance Program

Per the DESE “*Program Descriptions Manual*”,

“This program funds innovative and developmentally appropriate early childhood programs for educationally deprived children. Act 1132 of 1997 transferred the Early Childhood Commission to the Department of Human Services with the Grants remaining with the Department of Education.

Arkansas Better Chance Grants are administered by the Division of Child Care and Early Childhood Education (DCCECE) of the Department of Human Services for the purpose of serving educationally deprived children ages birth through five years old, excluding kindergarten. Within the Arkansas Better Chance Program is the Arkansas Better Chance for School Success (ABCSS) Program, which funds innovative and developmentally appropriate early childhood programs for educationally deprived children ages three and four. For the 2017-2018 school year, the distribution of funds was based on \$4,860 per child for classroom-based programs and \$1,750 per child for home visit programs.”<sup>5</sup>

All Better Chance funds are restricted and must be used in accordance with the rules of the grant.

## MEDICAID

Medicaid is a federally funded program. As described in the “*Review of Arkansas Medicaid Program School Services and Reimbursements*” produced by the Arkansas Division of Legislative Audit (now the Arkansas Legislative Audit);

*“Federal law, namely IDEA and the Medicare Catastrophic Coverage Act of 1988, established a system of Medicaid-related reimbursement for schools that offer medical services to students. These services must be part of a student’s Individualized Education Program (IEP) or Individualized Healthcare Plan (IHP) for school districts to obtain reimbursement from Medicaid for providing services. Qualifying services must also meet all required provider guidelines established in the Arkansas Medicaid Provider Manuals. Initially, participating Arkansas school districts were eligible to receive Medicaid reimbursements for the following services:*

- *Occupational therapy.*
- *Physical therapy.*
- *Speech language pathology.*

*Over time, the following additional services became eligible for Medicaid reimbursement:*

- *Personal care.*
- *Private duty nursing.*
- *School-based mental health.*
- *Targeted case management.*
- *Various screenings, including vision and hearing.”<sup>6</sup>*
- *Audiology*

## ARMAC

ARMAC stands for “Arkansas Medicaid Administrative Claiming”. This is a federally funded program that allows districts to receive funding for administrative activities being performed to carry-out Medicaid, outreach, health services and health training.

In order to receive ARMAC funding, the district must input their personnel information in the ARMAC database. After verification, the participants are eligible to receive email surveys in the future that ask them about their current activity. With this information, ARMAC funding is distributed on a quarterly basis to the district.

Federal guidelines recommend ARMAC funds should be for health related services or programs in the district.

## Annual Statistical Report

In compliance with the provisions of A.C.A. § 6-20-2201 et seq., the Annual Statistical Report (ASR) of the Public Schools of Arkansas, Public Charter Schools, and Education Service Cooperatives is published annually on the DESE website.

The appendix in the ASR includes Arkansas Public School Computer Network (APSCN) coding specifications for each line item in the report. Information contained in the reports is obtained from the Annual Financial Report submitted in Cycle 9 and Budget submitted in Cycle 1.

In addition, school districts are listed according to Local Education Agency (LEA) number in the Rankings Report, and are ranked from highest to lowest on the following data:

- Ranked by Per-Pupil Expenditures
- Ranked by ADA
- Ranked by ADM
- Ranked by K12 Licensed FTE
- Ranked by Average Salary K12 (Classroom) Licensed
- Ranked by Licensed FTE
- Ranked by Average Salary Licensed FTE

You can find the Annual Statistical Report at:

[http://dese.ade.arkansas.gov/divisions/fiscal-and-administrative-services/publication-and-reports/report\\_categories/annual-statistical-reports](http://dese.ade.arkansas.gov/divisions/fiscal-and-administrative-services/publication-and-reports/report_categories/annual-statistical-reports)

## Best Financial Practices

Decisions should be made to maximize funding for student resources. A school should review many things to properly use funding in the best interest of all students. A financially sound school should have policies and procedures in various areas. Through consistent application of those policies and procedures, schools practice long-term management of their resources. Through sound fiscal management schools should have careful tracking of resources and understand their cash flow. Without sound fiscal management, information can be wrong or absent, decision making can be flawed, and immaterial issues can become serious problems. In education, financial resources are used to achieve positive changes in student attitudes or academic behaviors. It is the responsibility of schools and management to have practices to use resources as efficiently as possible in many areas including the following:

- Management Structures
- Performance accountability
- Efficient delivery of educational services, including instructional materials
- Administrative and instructional technology
- Personnel systems and benefits management
- Facilities construction
- Facilities maintenance
- Student transportation
- Food service operations
- Cost control systems, including asset management, risk management, financial management, purchasing, internal auditing, and financial auditing
- Athletics
- Other extracurricular activities
- Revenue and expenditure sources

- Breakdown of administrative, instructional, support, and operations expenditures
- Type of technology needed, how to maintain and update
- Review old programs and sustain new ones
- Student teacher ratio; staffing needs, tutors,
- What expenditures relate to student instruction,
- What are revenue sources and if you lose one, how to prepare
- Are facilities safe, warm and dry and what are the needs long-term

Schools should establish Procedures that include:

- Purchase orders (P.O.) process
- Receipts
- Reimbursements
- Travel reimbursement procedure
- Frequent Monitoring and Reporting

Accounting is “the system of recording and summarizing business and financial transactions and analyzing, verifying, and reporting the results.” The basis of accounting establishes the point-in-time when revenues or expenditures and related assets and liabilities are recognized in district accounts and reported in financial statements.

- Cash basis – Recognized when cash is received or disbursed
- Accrual Basis – Revenues are recognized when they are earned and expenses are matched with related revenues and/or are reported when the expense occurs, not when cash is paid.

Things to consider for school revenue:

The legal authority for school district revenue in Arkansas

The Arkansas Constitution (1874 as amended)

- Article 14
  - § 1. Free School System
  - § 2. School Fund – use – purposes
  - § 3. School tax – budget – approval of tax rate, Amendments 11, 40 & 74
  - § 4. Supervision of schools
- Constitutional Amendments
  - Amendment 40 – Budget – publication/restricted use of schools funds
  - Amendment 59 – Tax rate rollbacks after reappraisals
  - Amendment 74 – 25 mill uniform rate of tax
  - Amendment 79 – Property tax relief
- What effect does Legislative action or changes in local economic conditions have on resources for the coming year?
- ADM increased or decreased
- Assessed valuation changed – Real Property – Personal Property – Utility Property (consider estimating future). Verify assessed valuation as certified by county assessor and clerk to DESE. What is trend?
- Millage rate – Verify tax rate as certified by the Quorum court in accordance with ballot language approved at annual school election. Verify millage allocation as approved by voters. What is collection rate? Amendment 74 – 25 mills for maintenance and operation, additional maintenance and operation mills (approved by voters), debt service mills to pay debt (approved by voters), dedicated maintenance and operation mills (approved by voters)

- Publication of budget of expenditures for annual election – required by Amendment 40 and § 6-13-622, based on year to be supported by school property tax voted in future school election, will not correspond with school budget submitted in Cycle I.
  1. Collection rate – look at trends (keep up with change in industry – develop relationship with county assessor) current tax rate
  2. Delinquent Tax
  3. Amendment 79 – Homestead Credit
  4. Excess Commissions
  5. Pullback if applicable
- Interest on taxes held by Collector
- Timing of receipts
- Miscellaneous revenue
- Use systematic techniques to develop reasonable estimates of school revenue
- Consider all sources of revenue – local, state, and federal. What happens if you lose a source, how to prepare
- State Foundation Funding Aid – The amount a school receives from the state to establish adequacy per student. The amount funded by the state is less the local wealth per student. The total of the two numbers is the state foundation funding amount determined by the Legislature.

Accurate projections are important because they provide a stable fiscal environment and provide confidence to staff, community, and the DESE.

Things to consider for school expenditures:

A school budget should be developed that aligns resources with student achievement goals. Finance personnel should collaborate with instructional leaders to determine the current academic achievement level determine where the school wants to be in the future. What are the academic goals and this will help determine the financial resources and how they should be prioritized? It is important to be able to quantify instructional priorities to determine how much money is needed to implement them. A strategic plan should be developed to determine the long-term plans and goals of the school. Major categories of expenditures in most schools:

- Salaries and Benefits – consider contracted wages, time sheet pay, substitute pay, summer help. Staffing requirements because salaries and benefits make up the largest expenditure of most schools. When budgeting these expenditures consider:
  1. Federal and state minimum wage,
  2. State minimum teacher salary schedule (§ 6-17-801) (§ 6-17-2401) (§ 6-17-2403) and Salary schedules per personnel policies. Must be approved policies and contracts must be entered in a timely fashion. Consider how increase from year to year will affect the fund balance of the school.
  3. Schools should consider benefits offered and these will vary by school.
  4. Schools shall pay health insurance rate beginning January 1, 2020 of \$161.87 per month for each eligible employee. This rate shall increase annually by the same percentage as foundation funding is increased by the Legislature.
- Supplies/Equipment – it is important to determine the difference as it relates to accounting and recording of fixed assets.
- Services
  1. Professional Services & Consulting Services are exempt from bidding. Examples are: accounting, engineers, architects, legal, medical, information/technology and appraisal.
  2. Property Services – Utilities, construction services, lawn care, cleaning services and rental
  3. Other Services – transportation, insurance, and advertising

- Capital Outlay – Purchases/construction of a fixed asset
- Debt Service – Principal, Interest, and fees, it is important to review each piece and monitor the cash flow requirements each year.

Schools should have great internal controls to ensure that theft or fraud are minimized. They should have segregation of duties, to ensure that one individual does not perform more than one key operational function.

Other Best Practices:

- Keep accurate records in Arkansas Public School Computer Network (APSCN)
- Record ALL receipts in APSCN – keep backup copies, verify coding from the Financial Accounting Handbook, reconcile posted revenue to bank statement deposits
- Record ALL expenditures, keep backup copies
- Reconcile cancelled checks in APSCN to the bank statement monthly
- Establish separation of duties to avoid conflicts and any misappropriation
- Print journal entries and explanation for file
- Follow contract purchasing rules and guidelines
- Always record receivables and payables
- Keep fixed assets inventories up to date
- Make sure EVERY full-time employee has a contract and falls within a salary schedule and additional duty pay schedule, if required
- Update personnel policies and salary schedules and post to the district website after each board approved change
- Check APSCN website once a month for updates to coding Handbook
- Monitor financial related Commissioner's Memos

## **DESE Website**

There are numerous reports available on the DESE website. Through the Fiscal and Administrative Services section of the website, the following reports can be accessed:

- Assessments and Pullback Reports
- Annual Statistical Reports
- Athletic Expenditure Reports
- Fiscal Distress Lists
- Legal Balances
- Loans/Bonds/Outstanding Indebtedness for Arkansas Public Schools
- Millage Reports
- Miscellaneous
- Salary Reports
- State Aid Notices
- Tier I Presentations

Additionally, the DESE Data Center has information available. The information available on the DESE Data Center is from Cycle reports and other sources. Students enrollment, Standards Accreditations, School Performance, etc... are available.

## References

1. Arkansas Bureau of Legislative Research: 2020: Foundation Funding and the Matrix:  
  
[https://www.arkleg.state.ar.us/Bureau/Document?type=pdf&source=education/K12/AdequacyReports/2020/2020-03-09&filename=HANDOUT-E3\\_Highlights\\_Foundation-Funding](https://www.arkleg.state.ar.us/Bureau/Document?type=pdf&source=education/K12/AdequacyReports/2020/2020-03-09&filename=HANDOUT-E3_Highlights_Foundation-Funding)
2. Arkansas Constitution Article 14
3. Division of Elementary and Secondary Education: 2016: Rules Governing the Distribution of Student Special Needs Funding and the Determination of Allowable Expenditures of Those Funds:  
  
[http://www.arkansased.gov/public/userfiles/rules/Current/2016/Student\\_Special\\_Needs\\_Funding\\_Permanent\\_Rules\\_Final.pdf](http://www.arkansased.gov/public/userfiles/rules/Current/2016/Student_Special_Needs_Funding_Permanent_Rules_Final.pdf)  
  
(new rules are pending -  
[http://dese.ade.arkansas.gov/public/userfiles/Legal/Legal-Pending%20Rules/2020/MARK-UP\\_DRAFT\\_Student\\_Special\\_Needs\\_Funding\\_Rule.pdf](http://dese.ade.arkansas.gov/public/userfiles/Legal/Legal-Pending%20Rules/2020/MARK-UP_DRAFT_Student_Special_Needs_Funding_Rule.pdf))
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5. DESE's Program Descriptions Manual:
6. Arkansas Division of Legislative Audit (now Arkansas Legislative Audit) June 6, 2014: Review of Arkansas Medicaid Program School Services and Reimbursements:  
  
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